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HALL OF FAME

NRN inducts 13 fine-dining greats

See Section Two

NON-COMMERCIAL

Phillip Cook… image of foo…

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FOOD

…etness, …uces

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NEWSPAPER

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Nation's
Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 23, No. 19 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | May 8, 1989

Chains gain edge as food costs rise

Independents forced to raise prices

By Peter Romeo

Runaway commodity costs are handing chain restaurants an advantage over independent rivals in the firefight for an increasingly price-sensitive clientele.

Protected by fixed-cost volume purchasing agreements, multi-unit operators say they have held the line on menu prices despite the heftiest increases in wholesale food costs since 1980. But many independents lament that the pressure on their margins has been too intense to withstand.

"Food costs were going over the roof. We had to raise [menu prices],

*(See **MENU**, page 60)*

NRN inquiring photographer:
Have you raised menu prices, or will you do so in the future?
Page 7

NRN Photo

Postrio co-owner Wolfgang Puck, left, and executive chefs Anne Gingrass and David Gingrass gather on the stairway that leads down into the dining room of the 200-seat restaurant in San Francisco.

It's standing room only at San Francisco's Postrio

By Alan Liddle

SAN FRANCISCO — Just four weeks after opening, Postrio, the new restaurant created by chef Wolfgang Puck, designer Pat Kuleto, and management specialist Bill Kimpton, is booked for dinner six weeks in advance.

Lunch reservations are easier to secure, management indicated, as long as they are made one month in advance.

The 200-seat restaurant, which cost more than $2 million to develop, is managed by Puck and employees of Kimpton's company, Kimpton Restaurant Group (formerly Kimco Hotel Management). Kimpton veteran Geordy Murphy is the general manager.

Puck, who also owns Spago and Chinois on Main in Los Angeles, is a partner in Postrio with Blackman Flynn & Co., an investment banking firm. Because he can't be in San Francisco full time, he hired two former Spago stalwarts, Anne and David Gingrass, to run the kitchen.

Already, Postrio is doing an average of 470 to 500 covers per day, said Nancy Mootz, Kimpton Restaurant

*(See **POSTRIO**, page 60)*

Taste of Nation raises $850,000 in 48-city effort

By Milford Prewitt
with bureau reports

Some 700 restaurants in 48 cities across the country, united to fight hunger, raised more than $850,000 in the second annual Taste of the Nation event, sponsored by Washington, D.C.-based Share Our Strength.

Staged as a coast-to-coast, simultaneous food-sampling and wine-tasting feast, Taste of the Nation, organizers said, took in revenues from ticket sales that might exceed their goal of $1 million.

Share Our Strength, the network of restaurants that created the project, initially projected that 1,000 restaurants representing 50 to 60 cities would be involved in the one-night event. Last year SOS raised $250,000 in 26 cities.

All of the money from the event will be used to finance domestic and international food banks and other charitable organizations involved in the fight against hunger.

Everything from hotel ballrooms to shopping malls to concert halls was rented by local sponsors and supporters so that the restaurants could concentrate on ticket sales and cooking.

"I believe we did more than $850,000, at least $1 million, maybe more", said an ebullient Bill Shore, founder and executive di-

*(See **TASTE**, page 61)*

FOOD WATCH

Chiang's menu thinks small

BEVERLY HILLS, Calif. — A "tasting" evolution has reshaped the Chinese fine-dining tradition begun by Cecilia Chiang at her renowned Mandarin restaurants in San Francisco and Beverly Hills.

After a devastating fire, the Beverly Hills branch reopened with a new menu, a new exhibition kitchen, and the new ownership of Chiang's son, Philip Chiang, and his partner, Lud Renick. They feature a revised and expanded menu format encouraging multi-minicourse dining.

The veteran restaurateurs are serving scores of "small tastes," two-thirds-size portions of items from the Mandarin's vast menu. Many new recipes, including dumplings, savory pastries, noodles, roasted meats, seafoods, and vegetable dishes, were developed at Philip Chiang's casual Mandarette cafe in Los Angeles.

The revamped Mandarin also features authentically prepared Peking ducks ($35), not the usual deep-fried substitutes that are roasted at 15-minute intervals to accommodate a steady demand.

— Richard Martin

CHARLES BERNSTEIN ON THE SMOKING ISSUE: A FIERCE DILEMMA — Page F3

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 23, No. 19 May 8, 1989

NEWS DIGEST

Prudhomme, Ark discuss possible NY joint venture

NEW YORK — Paul Prudhomme, the renowned Cajun chef of K Paul's Louisiana Kitchen in New Orleans, and Ark Restaurants, the New York restaurant group, are exploring the possibility of jointly operating a restaurant here.

Beyond confirming what had been a persistent report in the restaurant circles of New York, Atlanta, and New Orleans, Ark president Michael Weinstein said it was premature to talk about the discussions with Prudhomme.

Aided by accounting gain, Wendy's profits jump 83%

DUBLIN, Ohio — Wendy's International said a $5.2 million gain from a one-time accounting change contributed to an 83-percent leap in net income, to $6.3 million, for its first quarter ended April 2.

Revenues for the period rose 2 percent, to $259.5 million.

Chief executive James Near said that improvements from reducing food and labor costs were more than offset by increased discounting. Sluggish sales early in the period were significantly buoyed by a March chicken Parmesan sandwich promotion, he added.

Systemwide sales from Wendy's 3,768 restaurants totaled $718.9 million during the first quarter, a 5-percent increase over year-ago tallies. Year-to-year sales at the average unit in the chain climbed 3 percent, to $183,000.

Campbell, former BK chief, lands Pizzeria Uno franchise

WEST ROXBURY, Mass. — J. Jeffrey Campbell, the former chairman of Pillsbury's restaurant group and a past chairman of Burger King, has signed on as a franchisee of Pizzeria Uno, the pizzeria chain based here.

Campbell will develop Uno pizzerias in parts of North and South Carolina, the chain said.

The arrangement marks the addition of yet another former chain heavyweight to the roster of Uno franchisees. The pizza chain has also granted licenses to Art Gunther, the one-time president of Pizza Hut, and Lou Neeb, another past Burger King president.

Burger King puts operations under four regional officers

MIAMI — Burger King Corp. said it has split responsibility for its 22-market field operations among four newly appointed executive vice presidents.

C. Donald Dempsey will assume control of Northeastern operations, C. Scott Conner will take charge of Southeastern operations, Kevin K. Moriarty will take the helm of Central operations, and David I. Geddes will head Western operations, the company said.

Dempsey was replaced as Burger King's interim marketing head by Hardee's ex-marketing chief, Gary Langstaff; Conner was formerly vice president and general manager of the Southeast division of Kentucky Fried Chicken Corp.; Moriarty was formerly executive vice president of the North Central division; and Geddes was group public affairs executive for Grand Metropolitan PLC.

Mann seeks OK to raise stake in Dunkin'

By Peter Romeo

RANDOLPH, Mass. — George Mann, the Canadian businessman contemplating a takeover of Dunkin' Donuts, has asked U.S. regulators for permission to raise his stake in the doughnut maker to 50 percent.

Mann revealed in a government filing that he has already boosted his Dunkin' holdings to 7.6 percent of the operator's common shares, from 6.6 percent.

In an earlier filing Mann said that one of his holding companies, Kingsbridge Capital Group, might seek to take control of Dunkin' through "a tender offer, merger, recapitalization, proxy contest, or otherwise."

Kingsbridge's aggressiveness in acquiring shares "suggests to us that this Canadian firm could be serious about pursuing Dunkin,'" Leslie Steppel, the restaurant analyst for Prudential-Bache, recently told clients. She speculated that Mann is interested in Dunkin' because of its real-estate holdings, which include an office building and training center in this Boston suburb.

Mann, 56, amassed a fortune early in his career by buying and selling real estate, according to Canadian sources.

"We have no plans at this time to meet with them," said Dunkin' chairman Robert Rosenberg. "We regard them at this time as nothing more than a major stockholder."

However, he stressed that Dunkin's board wishes to maintain the company's independence.

Mann's spokesman did not return telephone calls.

Taco Bell switches agencies; keeps 59-cent tacos in L.A.

IRVINE, Calif. — Taco Bell Corp. has switched its $75 million advertising account from Los Angeles-based Tracy-Locke, a seven-year incumbent, to San Francisco's Foote, Cone & Belding, creators of the "California Dancing Raisins."

The 2,950-unit, Pepsico-owned chain also permanently set its standard taco price at 59 cents in the Los Angeles market, its largest trading area. Meanwhile, the chain's stores nationwide continue to discount low-end items to as low as 39 cents.

Television commercials in Southern California promise that the 59-cent taco, lowered from 79 cents last fall in what was then described as a temporary promotion, would stay at that price "from now on." Taco Bell officials weren't available to comment on the action or to confirm reports that sales have surged 25 percent since the price-cutting binge began in the fourth quarter.

Taco Bell's agency switch is the chain's second major marketing shake-up in recent months. Timothy Ryan replaced James Loser as executive vice president of marketing in December.

Compiled from staff and wire reports

John Teets to keynote at MUFSO

MUFSO 89

NEW ORLEANS — John W. Teets, longtime chairman and chief executive of Greyhound Corp., will be the keynote speaker at Nation's Restaurant News' 30th annual Multi-Unit Food Service Operators (MUFSO) conference in the New Orleans Hilton Sept. 10-13.

Teets, a past winner of the International Foodservice Manufacturers Association's Gold Plate Operator of the Year award, served as president of Greyhound Food Management in the mid-1970s. He subsequently moved into corporate leadership at Greyhound, battling unions, dropping the bus lines, and reshaping the company into a streamlined operation of related entities.

Teets

He will discuss leadership techniques on Monday morning, Sept. 11, in accordance with the conference theme, "Fitness for Success: A New Kind of Leadership for a New Decade." A number of other top speakers and panelists are being lined up for the conference.

For MUFSO details, see ad, page 47.

FINANCIAL NEWS

McDonald's boosts profits 13% to $141.7M in 1st Q

By Rajan Chaudhry

OAK BROOK, Ill. — McDonald's Corp., the nation's largest restaurant operator, overcame higher labor costs, rising interest expenses, and unfavorable foreign exchange rates to post a 13-percent gain in net income on a 12-percent year-to-year rise in revenue for its first quarter.

Boosted by asset sales and a lower tax rate, McDonald's profits increased to $141.7 million, while its revenues climbed to $1.38 billion for the quarter ended March 31, the company said.

Although McDonald's earnings were in line with most projections and its stock rose slightly — about 88 cents to $54.38 per share — on the day following the announcement, several analysts said they were unimpressed by the company's performance.

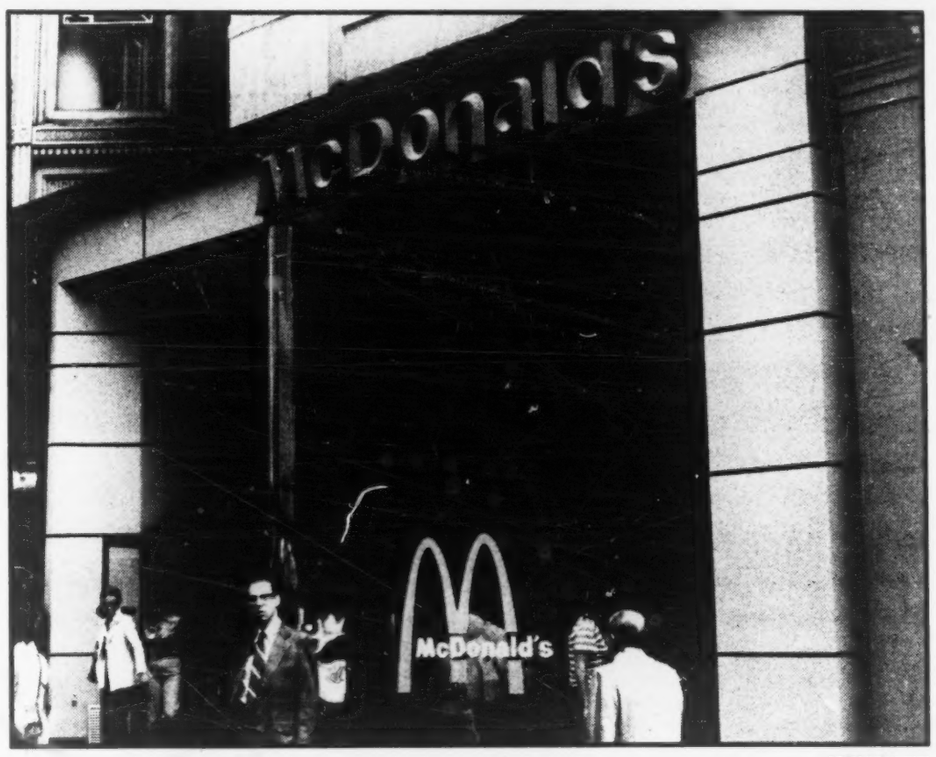
"It was not a stunning quarter by any stretch," said analyst Caroline Levy of Shearson Lehman Hutton.

Customer counts at domestic stores fell 1.5 percent, Levy noted, a figure McDonald's would not confirm. And the strength of the dollar against foreign currencies — primarily the yen — cost McDonald's $5 million, a figure McDonald's did acknowledge.

"For the first time [foreign] affiliate revenues were up very marginally," said Levy. "Previously we'd been seeing huge growth in that area."

McDonald's faced difficult comparisons in April and will face them again in May, Levy said.

"We have another couple of months of negative customer counts because the Scrabble promotion is not as successful as Monopoly was," Levy predicted. "And then in June or July, we're going to see counts turn positive because of easy comparisons, and also because they are rolling out their chicken sandwich more aggressively now."



NRN Photo

An upscale McDonald's unit in midtown Manhattan.

McDonald's recently introduced a Country Style McChicken sandwich, priced at about $2.69, in New York. And it is testing the product in other markets, a McDonald's spokeswoman confirmed.

Although McDonald's would not elaborate on the scope of testing or its plans for rollout, Levy said the McChicken sandwich is now in about 3,300 stores, up from 1,500 only a few months ago.

In the first quarter, a 6-percent increase in number of stores in operation over the year-ago quarter, which brought the McDonald's system to 10,577 units, as well as menu-price hikes at franchises and affiliates, boosted systemwide sales 10 percent to $3.93 billion.

Company stores have not taken a price increase so far this year, said McDonald's spokesman Chuck Ebeling.

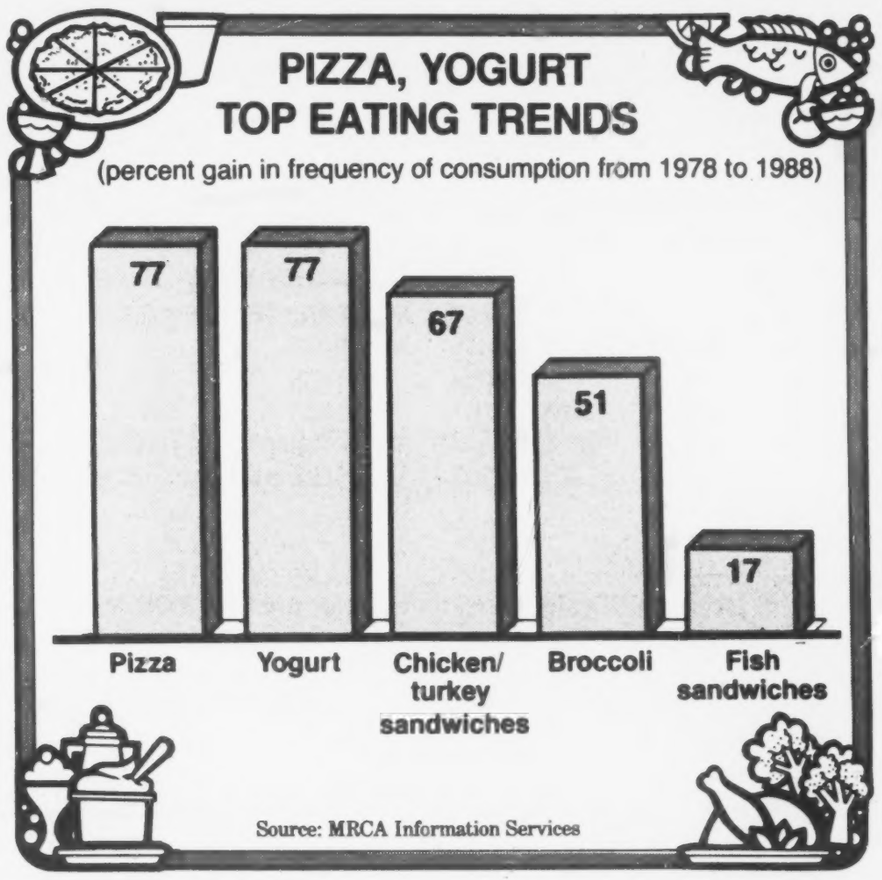
McDonald's booked $8.1 million in gains on the sales of restaurants, up 76 percent over proceeds from asset sales recorded in last year's first quarter. And tax benefits related to certain foreign operations trimmed McDonald's effective income tax rate to 37.6 percent from 38.8 percent a year ago.

On the downside, higher average debt levels resulting from expansion and reinvestment, the consolidation of McDonald's Spain and Hong Kong affiliates, and higher interest rates pushed interest expense up 27 percent, to $72.7 million, for the quarter.

And margins at company-operated restaurants shrank to 16 percent of sales in the first quarter of 1989 from 16.4 percent in the year-ago period, Ebeling said, as higher labor, occupancy, and other operating costs offset lower food costs as a percent of sales.

FACT FILE

A look at the statistics shaping the industry



FOOD PRICE OUTLOOK

Drop in beef prices likely by summer

There are more cattle in feedlots now than had been anticipated at the beginning of the year. Reason: the continuing drought in a number of the cattle-raising states has caused ranchers to move cattle off the range to market. Producers are cutting herds back. Higher than normal heifer population on feedlots bears this out. Look for larger **beef** supplies by June, as animals reach maturity. Beef prices, which have been running about 6-to-10 percent above last year, should start weakening in early June as supply starts to outpace demand.

Frozen shrimp prices should hold steady, even if domestic catches are down. Imports have been surging with Red China becoming the largest supplier. Over the past year, state-owned packers have cleaned up their act to meet U.S. standards.

Tight **canned tomato products from California** have driven prices up and encouraged a flood of imports. It seems everyone is getting into the act: Spain (a traditionally large supplier), Italy, Israel, Portugal, Brazil, Venezuela, Turkey, Hungary, Red China and even the Dominican Republic. California canners plan a larger pack this year than last, but that will depend upon nature. Meanwhile, there may be another price hike before the new pack.

The **iceberg lettuce** harvest has moved from the dessert areas back to the Central California Coast, with supplies strong and prices seasonally low.

Cooler weather along the coast has slowed **strawberry** production, which had been accelerated in early April by unseasonably warm weather.

There's a record acreage in the state, with lower production in the Northwest, which may drive up **frozen berry** prices. But larger than usual Mexican frozen berry imports may hold a ceiling on pricing.

— **Patt Patterson**

NRN FINANCIAL DIGEST

Dairy Mart managers mull LBO

ENFIELD, Conn. — Dairy Mart Convenience Stores Inc. said certain senior managers, including chairman and principal shareholder Charles Nirenberg, are considering a plan to acquire the company in a leveraged buyout for around $15 a share.

On the day of the announcement, Dairy Mart's Class A stock rose $4.75, to $13.75, and its Class B stock rose $3.25, to $13.50, in national over-the-counter trading.

Nirenberg and his family owns almost 1.5 million of the company's 2.3 million Class B shares, giving them control of about 60 percent of its voting power.

Uno lifts profits 21 percent

BOSTON — Uno Restaurant Corp., which operates and franchises a chain of full-service pizza restaurants, said improvements in same-store sales and margins fueled a 21-percent increase in net income, to $1.3 million, on a 41-percent rise in revenue, to $19.4 million, for its first half ended April 4.

The 21-percent year-to-year gain in final net includes a change in accounting that added $120,000 to the bottom line in the same period last year.

Comparable-store sales advanced 8 percent for the six-month period, the company said, and operating margins widened to 11.9 percent of sales from 11.1 percent.

For the second quarter, net income jumped 21 percent, to $650,000, on a 37-percent rise in revenue, to $10 million.

Uno operates 28 Pizzeria Uno restaurants and franchises 34.

Karcher buys 10 Wendy's units

ANAHEIM, Calif. — Carl Karcher Enterprises Inc., which operates and franchises the Carl's Jr. restaurant chain, said it has purchased 10 Wendy's units from Wendy's of Tucson, a franchisee of Wendy's International.

The price for the sites, all of which are in Arizona, was $3.1 million, Karcher said.

Karcher plans to convert the properties to Carl's Jr. restaurants. The changeover will take from 60 to 150 days, the company said.

Eight of the newly-acquired units are in the Tucson area, with one each in Flagstaff and Prescott.

National buys 75 Southland stores

DALLAS — National Convenience Stores Inc. said it has closed a deal to buy about 75 of Southland Corp.'s convenience stores in the San Antonio area for an undisclosed sum.

Southland operates a system of more than 7,000 7-Eleven and other convenience stores. National's system numbers about 1,120.

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 62

FOCUS | OPINION

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

Publisher JAMES C. DOHERTY

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Executive Editor Rick Telberg
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Correspondents Deane Evans, Nicole Miles
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

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Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Computer&Software News, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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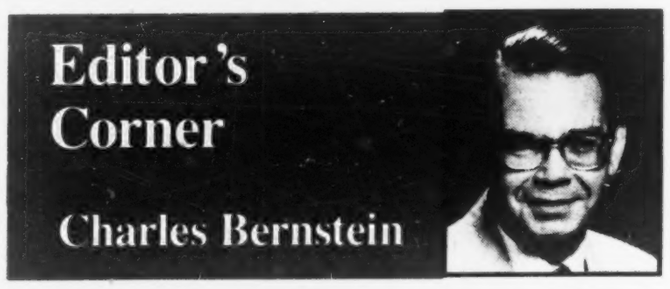
The smoking issue: A fierce dilemma

Smoke is still blowing in non-smokers' faces at restaurants, as Nation's Restaurant News Midwest editor Carolyn Walkup emphasized in a recent column. She asserted that operators and employees alike "show an appalling lack of sensitivity to the rights of non-smokers."

Walkup observed that "since few operators have voluntarily set aside no-smoking sections, local governments are increasingly passing no-smoking ordinances to protect non-smokers from the proven dangers of inhaling second-hand smoke." She added that "some operators are having trouble accepting the laws."



No-smoking sections, which sometimes are smaller than smoking sections, too often "are back in some dark corner next to the kitchen," Walkup asserted. And with smoke blowing from one (open) section to another, she noted, "some operators are doing a much better job of separating smoking and non-smoking sections with dividers or walls."

Walkup's points are well taken and in effect dramatize a serious dilemma facing restaurateurs today. For the most part, they want to be good citizens so that their customers will return. This means providing both no-smoking and smoking sections and thus — at least in theory — offering freedom of choice, whether mandated by law or not.

Non-smokers, now a solid majority in America, sometimes insist that all smoking be banned for their own welfare. Airlines have already prohibited smoking on flights of less than two hours and on certain other trips. This issue is so volatile that it has led to flareups and even fights started by would-be smokers on no-smoking flights.

Anyone who is en route to the rest room and almost chokes on the dense smoke emanating from a smoking section in the back of an airplane will not appreciate the fumes. An updated air-conditioning system that filters out the smoke would be an obvious solution.

During a smoking ban in Beverly Hills last year, restaurateurs reported that sales were off 20 percent to 30 percent as cigarette and cigar smokers apparently boycotted the restaurants en masse and took their business elsewhere. That ban finally was rescinded for freestanding restaurants. Ironically, it is still in effect at hotel restaurants.

Portland, Ore., and other cities are also threatening to enact smoking bans. This government-mandated legislation again poses a threat to the entire industry, but it also presents a challenge for restaurateurs to take action first.

Still, no matter how one looks at the problem, it is a complex issue that defies easy solutions for restaurateurs or customers.

"Free-choice" proponents, who would abolish no-smoking sections, emphasize that modern ventilation systems filter the smoke from restaurants, thereby making such sections unnecessary. This point has some validity since the best heating and air-conditioning units balance the air from the kitchen and the dining room, theoretically clearing out smoke from both areas.

But not all systems are so modern, and many non-smokers prefer a guarantee that they can at least sit in a no-smoking section without any smoke blowing on them. Yet inevitably non-smokers are seated at the border of a smoking section, where they are vulnerable to "floating" smoke.

Setting aside a no-smoking area is a noble enterprise, but it severely limits a restaurant's flexibility. Most operations achieve the bulk of their sales in peak meal periods typically totaling no more than six hours daily. But their options are cut when they designate specific no-smoking areas.

It is hazardous to project which proportion of customers will want no-smoking, smoking, or any type of seating (to avoid a long wait or just on general principles). The net result can be disgruntled patrons and unhappy restaurateurs.

One possible solution would be to deploy movable smoking and no-smoking signs, with the areas varying according to the time of day or night and the traffic. The problem is that every so often a health inspector comes in and spots this technique as a violation.

In short, there is no easy way to please health-conscious non-smokers and still protect smokers' rights. We believe that the rights of both groups are best guarded by providing smoking and no-smoking sections — even with their imperfections.

LETTERS

Widener readies students for hospitality careers

Editor, NRN:

I enjoyed your Editor's Corner column about the management schools, and I was very proud to see Widener University's School of Hotel and Restaurant Management listed as one of the Hotel Restaurant Institutions. Unfortunately, the only thing mentioned about the school was its name.

Widener enjoys the advantages of a newly constructed academic center with state-of-the-art teaching kitchens, production kitchen and dining room, computer labs (with 35 IBM Personal System/2 Model 30 computers), front office lab, and lecture halls.

The combination of exellent faculty, first-class facilities, a strategically important location in America's Northeastern corridor, and a program available through a fine university results in a school that is recognized as a leader in hospitality education.

Widener's curriculum for hotel and restaurant management is designed to accommodate students with different needs and goals. This is primarily achieved through the careful selection of Hotel and Restaurant Management classes.

The emphasis on restaurant management is parallel with hotel management. Widener offers a fantastic introduction to food preparation and food production and service management, along with electives, such as contract food management and management of wines, spirits, and beers.

The School of Hotel and Restaurant Management offers a four-year bachelor of science degree. Success in the hospitality industry requires substantial professional knowledge, business sense, and human relation skills. For that reason, the curriculum of the School of Hotel and Restaurant Management is designed to produce well-rounded citizens as well as competent managers.

This total program of study prepares students for the broad spectrum of businesses that the hospitality industry provides: hotels, restaurants, hospital and college food services, resorts, country clubs, airline and industrial food services, theme parks, and allied industries.

— Paul M. Augustus
Widener University
Chester, Pa.

Editorial reinforces need for newsletters

Editor, NRN:

Your Editor's Corner column on in-house newsletters was timely.

Our company has had a newsletter for many years, so rather than causing me to see the need for such a publication, your thoughts reminded me why it is important. When things become routine, it is sometimes easy to forget the right and real reasons for doing them.

— Mary L. Cusick
public relations director
Bob Evans Farms Inc.
Columbus, Ohio

Great newsletters evolve from cooperation, copy

Editor, NRN:

I was impressed at the way in which you wrote about the necessity of in-house newsletters in your Editor's Corner.

I am the editor of "Hot Off The Griddle," which is a newsletter directed to the employees of Golden Griddle Pancake House Limited. Golden Griddle is a family restaurant chain with 45 units throughout Ontario, Canada.

What started out to be a simple black-and-white bimonthly newsletter in June 1988 has now evolved into a four-color, 4,000-copy edition.

One thing that I would like to point out to you is that you need not have a journalistic background in order to do a newsletter. You do, however, need the cooperation of many people who are willing to supply you with copy. I think that is the most difficult part of putting a newsletter together.

At Golden Griddle's corporate office, everyone is keen to participate, and each contributor looks forward to seeing his or her name in print.

— Donna Barrow
editor, "Hot Off The Griddle"
Golden Griddle Pancake Houses
Willowdale, Ontario